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November 30, 2004

VIA HAND DELIVERY

Pat Miller, Chairman
c/o Sharla Dillon
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Re: Chattanooga Gas Company Actual Costs Adjustment Audit
Docket No: 03-00516
Response to Staff Data Request Dated November 22, 2004

Dear Chairman Miller:

This letter comes in response to Darlene Standley's letter to Archie Hickerson, dated November 22, 2004, requesting responses to certain questions to assist the Authority in its review of the above referenced docket. Attached you will find the Company's responses. The response to question 3 is confidential and filed under seal. The Company therefore requests that this information not be disclosed to the public without providing Chattanooga Gas Company an opportunity to protect the information. We have enclosed a proposed Protective Order should the need arise.

Sincerely,



D. Billye Sanders
Attorney for Chattanooga Gas Company

November 30, 2004

Page 2

cc: Archie Hickerson
Bryan Batson
Steve Lindsey
Elizabeth Wade, Esq.
Jeff Brown, Esq.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

CHATTANOOGA GAS

COMPANY'S ACTUAL COST ADJUSTMENT

AUDIT

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DOCKET NO. 03-00516

PROTECTIVE ORDER

To expedite the flow of filings, discovery, exhibits and other materials, and to facilitate the prompt resolution of disputes regarding confidentiality of the material, adequately protect material entitled to be kept confidential and to ensure that protection is afforded only to material so entitled, the Tennessee Regulatory Authority ("TRA") hereby orders that:

1. For the purpose of this Protective Order (the "Order"), proprietary or confidential information, hereinafter referred to as "CONFIDENTIAL INFORMATION" shall mean documents and information in whatever form which the producing party, in good faith, deems to contain or constitute trade secrets, confidential research, development, financial statements or other commercially sensitive information, and which has been specifically designated by the producing party. A "Producing Party" is defined as the party creating the confidential information as well as the party having actual physical possession of information produced pursuant to this Order. All summaries, notes, extracts, compilations or other direct or indirect reproduction from or of any protected materials, shall be entitled to protection under this Order. Documents containing CONFIDENTIAL INFORMATION shall be specifically marked as confidential on the cover. Any document so designated shall be handled in accordance with this Order. The provisions of any

document containing CONFIDENTIAL INFORMATION may be challenged under Section 11 of this Order.

2 Any individual or company subject to this Order, including producing parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder. Parties or nonparties subject to this Order shall include parties who are allowed by the TRA to intervene subsequent to the date of entry of this Protective Order

3. CONFIDENTIAL INFORMATION shall be used only for the purposes of this proceeding, and shall be expressly limited and disclosed only to the following persons:

- (a) counsel of record for the parties and other legal counsel for the parties in this case and associates, secretaries and paralegals actively engaged in assisting counsel of record in this proceeding;
- (b) TRA Directors and members of the staff of the TRA; and
- (c) Representatives of the parties who need to know because they are actively engaged in assisting counsel of record in preparing for this proceeding.
- (d) Outside consultants and expert witnesses employed or retained by the parties or their counsel, who need access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this docket, provided that to the extent that any party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness who is expected to testify on that party's behalf, the party shall give five (5) days written notice to the Producing Party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the Producing Party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the TRA, the Hearing Officer, the Administrative Law Judge or court rules on the motion. Any such motion shall be filed within three (3) days after service of the notice. Any response shall be filed within three (3) days after service of the Motion. A Pre-hearing conference may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by hand delivery or by facsimile.

Under no circumstances shall any CONFIDENTIAL INFORMATION be disclosed to or discussed with anyone associated with the marketing of products, goods or services that may be in competition with the products, goods or services of the Producing Party. Counsel

for the parties are expressly prohibited from disclosing CONFIDENTIAL INFORMATION produced by another party to their respective clients, except for in-house counsel and persons who need to know in order to assist counsel of record with preparation of the case.

4. Prior to disclosure of CONFIDENTIAL INFORMATION to any employee or associate counsel for a party, TRA Director, or TRA staff member, the counsel representing the party who is to receive the CONFIDENTIAL INFORMATION shall provide a copy of this Order to the recipient employee, associate counsel, TRA Director or staff member, who shall be bound by the terms of this Order. Prior to disclosure of CONFIDENTIAL INFORMATION to any outside consultant or expert witness employed or retained by a party, counsel shall provide a copy of this Order to such outside consultant or expert witness, who shall sign an Affidavit in the form of that attached to this Order attesting that he or she has read a copy of this Order, that he or she understands and agrees to be bound by the terms of this Order, and that he or she understands that unauthorized disclosure of the documents labeled "CONFIDENTIAL" constitutes a violation of this Order. This Affidavit shall be signed in the presence of and be notarized by a notary public. Counsel of record for each party shall provide the Producing Party a copy of each such Affidavit and shall keep the Affidavits executed by the parties' experts or consultants on file in their respective offices.

5. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing the documents this failure shall not constitute a waiver of confidentiality, provided the party or non-party who has produced the document shall notify the recipient of the document in writing within five (5) days of discovery of such inadvertent failure to designate the document as CONFIDENTIAL. At that time, the recipients will immediately

treat the subject document as CONFIDENTIAL. An inadvertent failure to designate a document as CONFIDENTIAL, shall not, in any way, affect the TRA's determination as to whether the document is entitled to CONFIDENTIAL status.

6. If any party or non-party subject to this Order inadvertently fails to designate documents as CONFIDENTIAL in accordance with the provisions of this Order when producing such documents and the failure is not discovered in time to provide a five (5) day notification to the recipient of the confidential nature of the documents referenced in the paragraph above, the failure shall not constitute a waiver of confidentiality and a party by written motion or by oral motion at a Pre-Hearing Conference or at the Hearing on the merits may request designation of the documents as CONFIDENTIAL, and if the motion is granted by the Hearing Officer, Administrative Law Judge or the Authority, the recipients shall immediately treat the subject documents as CONFIDENTIAL. The Tennessee Regulatory Authority, the Hearing Officer or Administrative Law Judge may also, at his or her discretion, either before or during the Pre-Hearing conference or Hearing on the merits of the case, allow information to be designated CONFIDENTIAL and treated as such in accordance with the terms of this Order.

7. Any papers filed in this proceeding that contain, quote, paraphrase, compile or otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed and maintained with the Chairman of the TRA in sealed envelopes marked CONFIDENTIAL and labeled to reflect the style of this proceeding, the docket number, the contents of the envelope sufficient to identify its subject matter and this Protective Order. The envelopes shall be maintained in a locked filing cabinet. The envelopes shall not be opened or their contents reviewed by anyone except upon order of the TRA, Hearing Officer, or Administrative Law Judge after due notice to counsel of

record. Notwithstanding the foregoing, the Directors and the Staff of the TRA may review any paper filed as CONFIDENTIAL without obtaining an order of the TRA, Hearing Officer or Administrative Law Judge, provided the Directors and Staff maintain the confidentiality of the paper in accordance with the terms of this Order.

8. Documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS (as defined in paragraph 19) in accordance with this Order, may be used in testimony at the Hearing of this proceeding and offered into evidence used in any hearing related to this action in a manner that protects the confidentiality of the information, subject to the Tennessee Rules of Evidence and to such future orders as the TRA, the Hearing Officer, or the Administrative Law Judge may enter. Any party intending to use documents, information, or testimony designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall inform the Producing Party and the TRA, the Hearing Officer, or the Administrative Law Judge, prior to the Hearing on the merits of the case, of the proposed use; and shall advise the TRA, the Hearing Officer, or the Administrative Law Judge, and the Producing Party before use of the information during witness examinations so that appropriate measures can be taken by the TRA, the Pre-Hearing Officer, or the Administrative Law Judge to protect the confidential nature of the information.

9. Except for documents filed with the Chairman of the TRA, all documents covered by the terms of this Order that are disclosed to the requesting party shall be maintained separately in files marked CONFIDENTIAL and labeled with reference to this Order at the offices of the requesting party's counsel of record, kept in a secure place and returned to the Producing Party pursuant to Paragraph 16 of this Order.

10. Nothing herein shall be construed as preventing any party from continuing to use and disclose any information (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of the party, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation, or (d) that is independently developed by a party, or (e) that is known or used by it prior to this proceeding. The burden of establishing the existence of (a) through (e) shall be upon the party attempting to use or disclose the information.

11 Any party may contest the designation of any document or information as CONFIDENTIAL or PROTECTED SECURITY MATERIALS by filing a Motion with the TRA, Hearing Officer, Administrative Law Judge or the courts, as appropriate, for a ruling that the documents, information or testimony should not be so treated. All documents, information and testimony designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS, however, shall be maintained as such until the TRA, the Hearing Officer, the Administrative Law Judge or a court orders otherwise. A Motion to contest must be filed not later than fifteen (15) days prior to the Hearing on the Merits. Any Reply from the Company seeking to protect the status of their CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS must be received not later than ten (10) days prior to the Hearing on the Merits and shall be presented to the Authority at the Hearing on the merits for a ruling.

12. Nothing in this Order shall prevent any party from asserting any objection to discovery other than an objection based upon grounds of confidentiality. In the event the Consumer Advocate and Protection Division of the Office of the Attorney General becomes a party to this proceeding, nothing in this Order is intended to limit or expand the statutory authority of the Attorney General or the Consumer Advocate and Protection

Division as expressed in *T.C.A. § 10-7-504(a)* titled *Confidential Records*, and *T.C.A. § 65-4-118* titled *Consumer Advocate and Protection Division*. The Attorney General will provide timely notice of filing or intent to disclose in the discharge of the duties of the Office of the Attorney General and Reporter, pursuant to *T.C.A. § 10-7-504(a)(5)(C)*, so that the Producing Party may take action relating to disclosure.

The obligations of the Attorney General under this Order are further subject to Tennessee's public records act. Nothing in this Order is intended to violate Tennessee's Public Records Act or Freedom of Information Act ("FOIA"). In the event that the Attorney General is served with a subpoena, public records, freedom of information act request, or other request that calls for the production of CONFIDENTIAL INFORMATION, the Attorney General, will notify the Producing Party by notifying the undersigned of the existence of the subpoena, public records request, FOIA request, or other request, at least five (5) business days before responding to the request. Following the five day notice period, the Attorney General may elect to wait to produce such information as allowed by state law in order to provide the Producing Party an opportunity to challenge said subpoena or request or to make arrangements to preserve the confidentiality of the CONFIDENTIAL INFORMATION that is subject to such request.

13. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information disclosed or documents produced for use in this action as CONFIDENTIAL, in which event the provisions of this Order shall govern the disclosure of information or documents provided by the non-party witness. A non-party witness' designation of information as CONFIDENTIAL may be challenged under Paragraph 11 of this Order

14. No person authorized under the terms herein to receive access to documents, information, or testimony designated as CONFIDENTIAL shall be granted access until such person has complied with the requirements set forth in Paragraph 4 of this Order.

15. Any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

16. Upon an order becoming final in this proceeding or any appeals resulting from such an order, all the filings, exhibits and other materials and information designated CONFIDENTIAL or PROTECTED SECURITY MATERIALS and all copies thereof shall be returned to counsel for the party who produced (or originally created) the filings, exhibits and other materials, within fifteen (15) days. Counsel who received the filings, exhibits and other materials, designated as CONFIDENTIAL or PROTECTED SECURITY MATERIALS shall certify to counsel for the Producing Party that all the filings, exhibits and other materials, plus all copies or extracts, notes or memorandums from the filings, exhibits and other materials, and all copies of the extracts from the filings, exhibits and other materials thereof have been delivered to counsel for the Producing Party or destroyed and that any electronic copies of CONFIDENTIAL INFORMATION or PROTECTED SECURITY MATERIALS received or mentioned by the receiving party have been eliminated.

17. After termination of this proceeding, the provisions of this Order relating to the confidential nature of CONFIDENTIAL DOCUMENTS or PROTECTED SECURITY MATERIALS, information and testimony shall continue to be binding upon parties herein and their officers, employers, employees, agents, and/or others unless this Order is vacated or modified

18. Nothing herein shall prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL shall receive protection other than that provided herein.

19. In addition to the other provisions of this Order, Chattanooga Gas Company (the "Company") may designate and label as "PROTECTED SECURITY MATERIALS" documents and information related to security measures undertaken to protect public health and safety. The Company shall provide access to PROTECTED SECURITY MATERIALS to TRA Directors and members of the staff of the TRA and further only to authorized representatives of the Intervenor in this docket. Authorized representatives shall be limited to the following: in the event that TRA staff becomes a party, one counsel of record and one other staff member or person under contract to the staff, each authorized in writing by a senior official of the TRA to have such access; and with respect to any other party, two counsel of record and a single other person, employed by or under contract to the party, authorized by that party in a written certification mutually agreeable to the parties.

20. The Company shall provide access to an authorized representative to PROTECTED SECURITY MATERIALS only after such authorized representative has executed an Affidavit in the form of that attached to this Order and provided a copy to the Company. Except with consent of the Company: (i) access shall be at the offices of the Company or its counsel of record and under supervision of the Company; (ii) PROTECTED SECURITY MATERIALS shall not be removed from the offices of the Company or its counsel; (iii) no copies shall be provided to an authorized representative except as provided herein. Authorized representatives may make notes or memoranda from a review of the PROTECTED SECURITY MATERIALS and may remove such notes and memoranda. In all other respects such notes and memoranda shall remain PROTECTED SECURITY

MATERIALS and subject to the provisions hereof. PROTECTED SECURITY MATERIALS shall be used only to assist TRA staff or any other party to prepare for and to try this proceeding and shall not be used for any other purpose in this or any other jurisdiction.

21. Except as provided in this Order, the contents of PROTECTED SECURITY MATERIALS to which the TRA staff or other party is given access, and any notes, memoranda, or any form or information or opinions regarding or derived from the PROTECTED SECURITY MATERIALS shall not be disclosed to anyone other than an authorized representative in accordance with this Order, except that an authorized representative may disclose his or her conclusions or findings solely within, and for the purposes of, this proceeding and in accordance with this Order. PROTECTED SECURITY MATERIALS shall not otherwise be published, disclosed or divulged except as expressly provided herein. The TRA Directors, TRA staff and any other party shall treat all notes memoranda or opinions regarding or derived from the PROTECTED SECURITY MATERIALS as highly confidential and shall keep them in a secure location with access limited to an authorized representative and the contents of PROTECTED SECURITY MATERIALS and any information derived from them shall be considered highly confidential, and shall not be deemed public records. The TRA staff, any party, Hearing Officer, or the TRA Directors may discuss any position or conclusion regarding security expenditures and testimony in briefs, orders, pleadings, or hearings in this proceeding without disclosing protected information to the public in accordance with this Order.

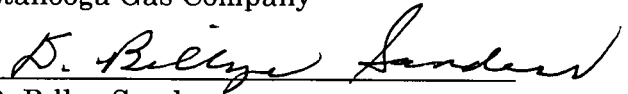
Ron Jones, Director

Sara Kyle, Director

Deborah Tate, Director

APPROVED FOR ENTRY:

Chattanooga Gas Company

By: 

D. Billye Sanders

Its Attorney

Waller Lansden Dortch & Davis, PLLC

511 Union Street, Suite 2700

Nashville, TN 37219-1760

(615) 244-6380

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
CHATTANOOGA GAS)	
COMPANY'S ACTUAL COST ADJUSTMENT)	DOCKET NO. 03-00516
AUDIT)	
)	

AGREEMENT TO COMPLY WITH PROTECTIVE ORDER

I have reviewed the Protective Order entered in the above-captioned matter and agree to abide and be bound by its terms. I understand that unauthorized disclosure of documents labeled "CONFIDENTIAL" or "PROTECTED SECURITY MATERIALS" will be a violation of the Order.

DATE

NAME

STATE OF _____)

COUNTY OF _____)

Personally appeared before me, _____, a Notary Public, _____, with whom I am personally acquainted, who acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this _____ day of _____, 200____.

NOTARY PUBLIC

My Commission Expires:

Item 1.

Pursuant to your IMCR tariff please provide a comprehensive definition of the term “non-jurisdictional sales”, including examples of such sales.

Response:

As used in the context of the IMCR provision in Chattanooga Gas Company’s (CGC’s) tariff, a “non-jurisdictional sale” is a sale to an entity not located within CGC’s service area and not connected to CGC’s distribution facilities.

An example sale would be when there is an opportunity to serve a power generator, industrial, or other wholesale customer, not located in CGC’s service area, utilizing CGC’s interstate pipeline contracts with East Tennessee Natural Gas Pipeline, Tennessee Gas Pipeline or Southern Natural Gas Company. In order to accurately capture all transactions associated with Sequent’s asset management activities, Sequent has established a separate accounting “book” to track all such asset management activities and report the margin associated with such activities. We will refer to such “book” as the “Chattanooga Book” for purposes of this response. Also, Sequent has established other internal accounting “books” that represent the “books” where all transactions with third parties are captured.

Sequent makes all sales out of the “Chattanooga Book” to another Sequent book, except for those to the utility itself, which in turn makes the non-jurisdictional sale to the third party. The reason for this is to insulate the Chattanooga Book (CGC) from credit risk associated with non-jurisdictional sales.

In this example case, Sequent’s Gulf Coast book makes a sale to the power generator off of East Tennessee Natural Gas Pipeline. The Chattanooga Book would purchase gas supplies from Sequent’s Gulf Coast book typically at a pooling point on Tennessee Gas Pipeline and simultaneously makes a sale to Sequent’s Gulf Coast book at a downstream location off of East Tennessee Natural Gas Pipeline. The margin associated with such sale is captured in the Chattanooga Book.

Item 2.

Provide a comprehensive definition of the term “jurisdictional sales”, including examples of such sales.

Response:

A jurisdictional sale is the sale of gas for use by any customer connected to CGC’s distribution facilities.

Examples are sales of gas for use by residential customers, commercial customers, and industrial customers under tariff provisions or special contracts approved by the Tennessee Regulatory Authority.

All sales to Chattanooga Gas Company are made out of the Chattanooga Book.

Item 4

Does Sequent track individual sales by Company? Please Explain.

Response:

Sequent tracks individual sales by company for CGC, Virginia Natural Gas and Atlanta Light Gas Company. Sequent does not track individual sales for asset management customers that are not subject to sharing.

When CGC terminated the Bailment Agreement in December 2002, Sequent implemented a tracking system starting January 1, 2003 to document revenue generated from all transactions using CGC's assets. Sequent previously implemented this system in 2001 in order to document revenue generated from VNG's assets.

Using this system, Sequent tracks individual sales by counterparty or customer. The counterparty or customer for each sale transaction is captured in the risk system (DTS/Endur). These sales are executed with internal and/or external counterparties. Internal counterparties include Sequent's proprietary trading books, i.e. Gulf Coast and Northeast Books.

Item 5.

Does Sequent track jurisdictional/non-jurisdictional sales by Company? Please explain.

Response:

As explained in response to Question 4, Sequent tracks the non-jurisdictional transactions. Jurisdictional transactions are recorded on the books of the regulated utility.

Item 6.

Provide a written copy detailing the process implemented in 2003 by Sequent for tracking sales and revenue associates with sales of Chattanooga's assets.

Response:

Sales associated with Chattanooga assets related to a third party are captured as internal transactions with Gulf Coast or Northeast books. Sales directly to Chattanooga are captured as transactions with Chattanooga out of the Chattanooga book. All sales are uploaded in the risk system electronically. Data that is captured for all purchases and sales are the volume, trade date, location (pipeline/meter/etc), term, and price. The price associated with internal transactions are generally transacted at a market based index price as posted in a recognized industry publication such as Inside FERC or Gas Daily or a price related to a specific third party purchase or sale performed by the Sequent's internal Gulf Coast or Northeast book. An example of when a specific fixed price may be used is when Sequent serves a third party where the price to the third party is based on an underlying price specific to the agreement with that third party. Risk Control reconciles transaction details to the Trader spreadsheet. Traders sign-off on the detail reports. Signed reports are filed by Contract Administration.